Jordan, Sheron Y

From: Bob Glenn [bglenn@airforcefcu.com]
Sent: Friday, April 03, 2009 11:07 AM
To: _Regulatory Comments
Subject: Robert A. Glenn - Comments on Advanced Notice of Proposed Rulemaking for Part 704

I would like to thank the Board for the opportunity to comment on the proposed rule making regarding Corporate Credit Unions.

It is my belief that the Corporate Credit Union System as currently constructed constitutes a greater risk to natural person credit unions that far out-weighs the value received from the Corporates. If a natural person credit union is of sufficient size every service provided by the Corporates is available from other financial institutions at comparable cost and these financial institutions create no risk to the NCUSIF as they are not insured by the fund. If every credit union had their overnight investments (the single largest potential risk for many credit unions if a corporate were to fail) with any of the "too big to fail" commercial banks, this entire episode that threatens the credit union system would not have been an issue for the NCUA. I question whether or not we really need the corporates. I would strongly urge the NCUA to encourage the corporates to convert to bank charters so they may be purchased by viable banking entities that already have expertise in providing the various types of services the corporates currently provide.

Many within the credit union community will take considerable exception to my statements, but the fact is the corporates do not provide capitalization to the NCUSIF commensurate with the risk they represent to the share insurance fund. Just yesterday I listened in on a conference call that our corporate credit union holds monthly to keep the natural person credit unions aware of the challenges facing the corporate. 80% of their primary capital will be wiped out if their paid in capital in US Central is 100% impaired. I say "if" because the corporate has the idea that some how some way US Central will be resurrected and life will resume as if nothing ever happened. My credit union's paid in capital to our corporate amounts to $1 million. Most likely our paid in capital will be significantly if not completely impaired as a result of the trickle down effect caused by the failure of US Central. That impairment along with the challenges presented by the currently pronounced anticipated assessment and the impairment of our NCUSIF shares could amount to as much as $3.8 million. Fortunately we are able to sustain the hit but I don't want us placed in the position of having to take the hit again.

If the corporates are to continue they should be assessed fees to fund the NCUSIF at a level that represents the risk they bring to the table. My corporate has only $1.3 million in NCUSIF shares supporting more than $9.7 billion in credit union shares of which they are now 100% insured by NCUA through 12-31-2010. Our credit union has $2.8 million in NCUSIF shares covering $280 million in member shares. The comparison is stark. If it were not for the guarantee of the NCUA we certainly would not have our excess cash invested in the corporate. We are unfortunately looking to the full faith and credit of the government to keep us safe until 12-31-2010, but if that is not extended we will be moving our funds in order to protect our members' investment.

All that being said corporate credit unions do offer services that small credit unions need and would find costly by comparison if they were forced to go to commercial banks to obtain these services. The question is which is the greater cost - the exposure the corporates bring to the NCUSIF which is disproportionately funded by natural person credit unions or the additional cost for these services. I am willing to bet the latter is the better deal in the long term.

Lastly, if corporate credit unions are to continue to exist a new assessment method to fund a separate share insurance fund that would exist only for the corporates must be explored. The NCUA wisely is seeking to fund the corporate credit unions through a separate stabilization fund. However, there still exists no firewall between natural person credit unions and the corporates. A firewall that would insulate the natural person credit unions from the risks brought on by the business model of the corporates is desperately required. Limiting the investment options of corporates is not a viable answer. Limiting the breadth of services is not the answer. Certainly concentration of investments in any one type needs to have some attention, but flexibility must be allowed for better capitalized corporates.

The NCUA Board has done a good job in trying to preserve the foundation of the NCUSIF. I hope you continue to make wise and well-informed decisions in the best interest of credit union members.

Most respectfully,

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President and CEO

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